

Insurance 2

OGC REVIEW COMPLETED

9 July 1954

Mr. R. I. Finnell
Group Department
United Benefit Life Insurance Company
Omaha, Nebraska

Dear Mr. Finnell:

Mr. Jones has forwarded to us your letter of June 25, 1954, enclosing two copies of the master application for life insurance for our group. I have reviewed the application with our attorneys as well as the amendments to the basic contract agreed upon at our recent meeting with Mr. Randall. In our opinion there are still several areas on which we do not appear to have reached agreement and I am therefore using this method to pose several questions which have occurred to us.

First, we are still somewhat confused as to the "retrospective premium rider." We are hopeful that the exact method of computation of the premium under this policy may be expressed somewhat more fully and more simply than is presently the case. It is our understanding that the net cost of the insurance provided under this contract (if this is what is meant by the retrospective premium) is to be determined as the sum of (1) the incurred losses for the year, (2) an amount equal to 12.2% of the total gross premium paid during the year, (3) the sum of the charges for conversion of policies computed at the rate of \$60 per \$1000 coverage converted and, (4) the contingency reserve equal to 5% of the gross premiums paid during the year, all subject to a total limitation of 100% of the gross premium paid during the year. It does not appear to us that the retrospective premium rider as presently written embraces all of these factors.

With respect to the contingency reserve it is our understanding that we agreed at our recent meeting that we would be provided with an annual statement of the balance of this reserve, that it would be held by the company but that joint authorization would be required before it could be used for the payment of losses or for other purposes. We fail to find these points in the contract as presently written. We also have a question as to the disposition of the contingency reserve in the event the policy should be canceled, but we assume it will be returned to the master policy holder in that event.

Although perhaps we did not make ourselves clear at our meeting with Mr. Randall, it was our understanding that Paragraph 3(b) of the policy would be amended so that the military personnel connected with us, who in many cases are performing duties similar or identical to those performed by civilian personnel, could be included in the coverage of the policy. We had in mind the amendment of the contract by deleting Paragraph 3(b) and by adding a supplementary provision substantially as follows:

"No payment or other benefit shall be due from the company under the terms of this policy in any case where the death of a protected person who is a member of the military or naval service of this or any other country shall result from an act of war, declared or undeclared."

The present provision excluding death as a result of an act of war to any protected person is in our opinion unduly restrictive and would be unsatisfactory to a great majority of the prospective insureds.

It was also our understanding that somewhere in the policy there would be stated the rate to be used in the computation of the premium for the first year. We fail to find such a statement in the contract as now written, although we note the rate for the double indemnity provision is set forth.

Four minor points should also be mentioned. First, we note in the supplementary provisions section that in certain cases it is stated that portions of the contract are "amended to read as follows," and in others that the section is "hereby voided and the following Paragraph substituted therefor." Unless there is some reason for this apparent inconsistency we would think it better to use the same language in each case. Second, we would like to add the words "or the personal representative of the estate of the deceased" between the words "beneficiary" and "will" in the amendment to provision (8) on the last line of the first page of the supplementary provisions section. Third, we would like to add the words "any class up to and including" between the words "select" and "class" on the last line of the second Paragraph of the Schedule of Benefits set forth in the first page of the basic contract. Fourth, we are considerably confused by the apparent duplication presented by the presence of forms 43 LOC and 41 LOM. Would you please let us know the reason for the inclusion of both forms and the reason why one is to be signed by both the president and secretary of the company and the other by the secretary alone.

Finally we would like to have the name of the policy holder changed to GENA, Inc. A non-stock corporation for the specific purpose of handling this group policy is presently being organized under the law of the District of Columbia and should be completed in time for execution of the contract.

We greatly appreciate your personal interest in our association and know you will realize that we would much prefer to make all necessary changes in the policy before rather than after operation of the plan has commenced. If any of our comments are unclear, we would be happy to discuss them in person either with Mr. Randall or with Mr. Jones.

Sincerely yours,

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OGC/TMF:afb

Distribution:

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